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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term  
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- e. Once a cost report has been correctly filed, no changes for the purpose of maximizing reimbursement shall be permitted. For example, it is not allowable to capitalize items which had been expensed on the cost report (or vice versa) unless the original method was clearly inconsistent with instructions for completion of cost reports and ~~the Department~~ DPA has mandated the change.

2. Allowable and Non-Allowable Expenses

All allowable reimbursable expenses that can be identified to a specific funded program(s) should be charged to that program(s) on a direct basis. Allowable reimbursable expenses not directly identified to a DPA funded program(s) must be allocated to all programs, both funded and unfunded, to be eligible for reimbursement. A segregation of kinds of cost into categorical groupings has been made to highlight the costs that must be borne by funds other than DPA funds.

- a. Research - Research expenses are not allowable expenses.

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- b. Insurance benefits --~~The Department~~ DPA will allow the cost of accident and death insurance, life and disability insurance and retirement plans as they apply to all eligible full-time employees of an agency. ~~The Department~~ DPA will also allow such cost identified above for eligible part-time employees at a percentage rate equal to the average hours worked by the part-time employee per week divided by the number of normal work hours in the week. For example, if the average employee works 40 hours per week, a part-time employee who works 20 hours per week would be equal to 50 percent of the normal full-time equivalent position. ~~The Department~~ DPA would allow 50 percent of the full-time equivalent insurance benefits for that position.

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- c. Compensation for non-working agency officers - Disbursement of funds or other assets to an agency officer who has not performed in a work capacity are not allowable expenses. (This does not preclude transportation and other travel expenses related to attending agency board meetings and other agency-related business from being reimbursed.)
- d. Entertainment - The expense of non-recipient entertainment is not reimbursable.
- e. Dues and costs of attending professional meetings - All forms of individual or agency association dues or costs of attending professional meetings are not reimbursable expenses. Examples of professional meetings are annual meetings on business matters, association meetings and conventions. Attendance by staff as part of inservice training at workshops and seminars including meetings during which workshops are part of the agenda is reimbursable.
- f. Transportation - Transportation expenses that are reimbursable must be either directly related to the provision of services for the recipient or integral to the operation of the program, provided they are not reimbursed from some other source. The expense of agency-owned automotive equipment by staff for personal business or non-work related transportation is not reimbursable.
- g. Fund raising and promotional expense - Fund raising and/or promotional activities are not allowable expenses.
- h. Bad debts - Bad debts are a deduction from the applicable income account rather than a reimbursable expense item. Using this accounting procedure, neither the income nor expense of the agency is overstated, and duplicate funding of expenses is eliminated.

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- i. Charity, grants and professional discounts - Charity, grants and professional discounts are not reimbursable items. Charity is defined as the donation of cash or in-kind services to other organizations and persons external to the program activities certified by ~~the Department of Mental Health and Developmental Disabilities (DMHDD)~~ DHS/QDD. Grants are defined as awards to organizations, programs and/or persons, external to the program activities of the agency. Awards to persons are to be differentiated from educational support of employees, which is an allowable cost as inservice training expenses. Professional discounts are defined as reductions in fee assessments to individuals/families because of professional status (e.g., doctor, educator).
- j. Non-recipient meals - Non-recipient meals are not reimbursable expenses from grant funds. Non-recipient meals are defined as meals consumed by parents, guests and staff when staff attendance with the recipient is not programmatically mandatory.
- k. Interest income - Interest income from investments made from excess operating funds must be offset against allowable interest expense reimbursable.
- l. Interest expense - Interest expense paid on borrowed funds which are required to provide program services to recipients, or reasonably related to recipient services, is a reimbursable expense. The following items of interest expense are not reimbursable:
  - i. Funds borrowed for investment purposes;
  - ii. Funds borrowed to create working capital in excess of two months' operating costs;

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- iii. Funds borrowed for the personal benefit of employees, officers, board of directors, members, or owner of the agency;
  - iv. Funds borrowed for the purchase of land, buildings, and/or equipment until such items are actively used in program activity; and
  - v. Interest in excess of the prime interest by the agency to persons or organizations who are related to the provider through control, ownership, or family relations.
- m. Intra-agency fund loan interest charges - Interest charges made for intra-agency loans between funds are not a reimbursable expense. An agency is defined as an organizational entity with a single Federal Employer's Identification Number.
- n. Rentals
- i. Rental income - Any rental income received by the agency must be used to reduce the reimbursable expense for the item rented provided that the expense item is allowable.
  - ii. Rental costs of buildings and equipment - Rental costs for buildings and equipment which are reasonable in relation to the local market for these items and which are necessary to provide program services to recipients or reasonably related to recipient care are reimbursable expenses.

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- o. Loans and lease agreements
  - i. Payment of loan principal - The repayment of the principal amount of any loan is not a reimbursable expense.  
(Example: If an agency borrowed \$10,000.00 for operating expenses, the repayment of the \$10,000.00 principal amount is not a reimbursable expense, but the expenses paid with the principal may be reimbursable.)
  - ii. Lease agreements - Lease agreements for items of equipment as well as buildings are reimbursable on an allocation basis to the funded and unfunded programs. Also, if the agreement covers the servicing of the items and/or supplies used in its operation whether as a separate amount(s) or a combined amount, these expenses are reimbursable on the same basis.
- p. Inventories - The development of commodity inventories by an agency is not reimbursable. Inventories are assets rather than expenses of the fiscal year's operation. Usage from inventories is an expense and is reimbursable.
- q. Sales of goods or services - In general, any expenses incurred by the agency for the sale of goods or services is not reimbursable. The expense from recipient wages and material acquisition is not reimbursable when the product produced by the recipient is salable.
- r. In-kind contribution - ~~The Department~~ DPA recognizes in-kind contributions, both as a source of income and as an expense of operations. Thus, the expense is paid by the source of income directly and the donation expense is not reimbursable.

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- s. Duplicate funding - When another source of funding is made available to the agency for specific items of expense or programs, ~~Department~~ DPA funds are not to be used as a duplicate funding source.
  - t. Capital expenditures for such items as buildings, leasehold improvements, and equipment may be reimbursable.
3. Reimbursement for Developmental Training (DT) Services for Individuals with Developmental Disabilities Who Reside in Long Term Care Facilities

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- a. ~~The Department of Public Aid~~ DPA will reimburse ~~SNF, ICF nursing facilities and ICF/MR facilities (including ICF/MR-15 ICF/MR 16 and under and Specialized Living Centers (SLC))~~ through a separate component of the per diem for developmental training services provided to residents who have developmental disabilities. Such individuals would be identified as needing developmental training by the facility's interdisciplinary team. The facilities may contract for these services from community providers whose programs are certified by ~~the Department of Mental Health and Developmental Disabilities (DMHDD)~~ DHS/ODD or may provide their own developmental training if the Developmental Training Program is certified by ~~the Department of Mental Health and Developmental Disabilities (DMHDD)~~ DHS/ODD and conducted by staff of the DT program. The Developmental Training Program (DT Program) is defined as the distinct part of a long term care facility or an independent business entity certified by ~~DMHDD~~ DHS/ODD to provide developmental training services.

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- b. Funds must be passed through to the DT Program within ten (10) working days of facility receipt of the payment from ~~the Department DHS/ODD~~, unless the facility itself operates the DT program. Violation of this requirement may result in suspension or termination of a facility's eligibility to participate in the Medical Assistance Program and will constitute grounds for recovery of all funds not paid timely under this section.

- c. Determination of the Amount of Reimbursement for Developmental Training Programs

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- i. A DT program which is certified by ~~the Department of Mental Health and Developmental Disabilities (DMHDD)~~ DHS/ODD or accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF), the Accreditation Council for Services for Developmentally Disabled Persons (ACDD), or the National Accreditation Council (NAC) ~~(subsection i. 4.b.i., ii. and iii.)~~, will be reimbursed for active treatment services delivered on or after January 1, 1990 to eligible participants.

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- ii. The total rate will be comprised of a Program Component and an Agency Component. Reimbursement levels for the Program Component will be derived from four determinants which, in combination, will result in the total Program per diem amount. The four determinants will be reviewed and validated according to information provided in the most recent facility Inspection of Care (IOC) conducted by ~~Department DPH~~ surveillance staff. Where dollar, wage or salary amounts are used, respective amounts shall be inflated to the fiscal year for which reimbursement will be made. This inflation provision will not apply for the period September 1, 1993, through October 12, 1993.

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iii. ~~Program Component~~ The four determinants which result in  
the total Program Component per diem are:

- (A) Direct Services - DT agencies must be in compliance  
with the Health Care Financing Administration's (HCFA)  
minimum average daily staffing standards (42 CFR  
442.430) relative to client population by level of  
mental retardation. In order to meet and exceed the  
staffing standards set by HCFA and to assure adequate  
reimbursement for the delivery of active treatment  
services, ~~the Department~~ DHS/ODD will base  
reimbursement for direct service staff at the following  
per shift ratios:

Level of Retardation	FTE*Staff:Client Ratio
Mild	1:10
Moderate	1: 8
Severe-Profound	1: 5

- FTE = Full Time Equivalent

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- (1) Determination of levels of mental retardation, in  
accordance with the definition of the American  
Association of Mental Retardation (mental  
retardation refers to significantly subaverage  
general intellectual functioning existing  
concurrently with deficits in adaptive behavior and  
manifested during the developmental period), will  
include an assessment of adaptive behaviors using a  
national standardized, ~~Department~~ DHS/ODD approved

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assessment instrument, such as the Scales of Independent Behavior (SIB), or the Inventory For Client and Agency Planning (ICAP). Such an assessment instrument will be utilized by at least one Qualified Mental Retardation Professional (QMRP) (42 CFR 483.430) to evaluate each client's functional skills and adaptive behaviors.

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- (2) Reimbursement for direct services is calculated by: determining the number of clients within each level of mental retardation; dividing each number by the client component of the staff:client ratio; summing these quotients; multiplying the sum by the aide hourly wage factor and then by 2080 (52 weeks times 40 hours per week); then multiply by 1.08 (vacation and sick time factor) to obtain a total annual direct service cost; and dividing this total by the annual client days to obtain the amount for direct services per client per day.

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- (B) Qualified Mental Retardation Professional - The supervisor of active treatment services in the developmental training environment is the QMRP. To determine the reimbursement amount for QMRP supervisory staff, assume that a full-time QMRP is required for every 30 individuals who are certified for ICF/DD services. Reimbursement for QMRP services is calculated as follows: the number of QMRPs shall be obtained by dividing the number of clients in the DT program by 30; the obtained number of QMRPs is multiplied by the hourly wage factor and then by 2080 (52 weeks times 40 hours per week); and then multiply by 1.08 (vacation and sick time factor); the product is divided by the annual client days.

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(C) Specialized Care - An amount will be paid for clients who are in need of Specialized Care for Behavior Development Programs and/or Health and Sensory Disabilities. Specialized care refers to care needed by some individuals to attain their greatest possible levels of behavioral and/or physical health and development. Identification and validation of an individual's need for either or both categories of Specialized Care will be made during the annual IOC of the ICF/MR, ~~SNF or ICF~~ or nursing facility where the individual resides.

(1) In each category of Specialized Care, there are three levels of services. The service level for each client meeting the criteria of more than one service level in a category of Specialized Care will be determined according to the one level which will result in the greatest reimbursement amount. Reimbursement for the three levels is determined on the basis of:

- a) Level I - .50 hours of Direct Service per service day.
- b) Level II - 1.0 hours of Direct Service per service day.
- c) Level III - 2.0 hours of Direct Service per service day.

Reimbursement for clients who qualify for Level III in the category of Health and Sensory Disabilities is also made for 3.0 hours of licensed nurse time, at a ratio of 1:30 per service day.

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